

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IN RE: §
§
DHILON, INC. § CASE NO. 11-43267
DEBTOR § (Chapter 11)
§

**LIMITED OBJECTION BY CIENA CAPITAL, LLC
TO DEBTOR'S DISCLOSURE STATEMENT DATED MARCH 26, 2012**

TO THE HONORABLE U.S. BANKRUPTCY JUDGE:

COMES NOW, Ciena Capital LLC, solely in its capacity as Servicer on behalf of HSBC Bank USA, National Association, not in its individual capacity, but solely as Indenture Trustee, under that certain Indenture dated June 1, 2007, as the same may be amended from time to time, for the benefit of the Indenture Trustee and holders of the Business Loan Express Business Loan-Backed Notes, Series 2007A ("*Ciena Capital*") a secured creditor herein and party in interest in the above captioned bankruptcy proceeding and files its Limited Objection to the Debtor's Disclosure Statement and in support thereof respectfully represents as follows:

INTRODUCTION AND BACKGROUND

1. The Debtor owns and operates a Holiday Inn franchise hotel in Sweetwater, Texas. On October 28, 2011, the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Code (the "Bankruptcy Code"). The Debtor has continued to maintain possession of its property and assets and operate its business as a debtor-in-possession. Ciena Capital has entered in cash collateral orders allowing the Debtor use of cash collateral in exchange for replacement liens. Ciena Capital has filed its proof of claim in this case in the amount of \$3,699,60.70. The loan to the Debtor allowed it to purchase the Property and commence operations. The loan is documented

by that certain Promissory Note dated July 5, 2007 in the original principal amount of \$2,960,000.00.
(The “Note”)

LIMITED OBJECTION TO DISCLOSURE STATEMENT

2. The Note contains a provision allowing for changes in the interest rate. The terms of the Note provides for interest per annum at the variable rate of the thirty (30) day LIBOR plus four and a half percent (4.5%) adjusted monthly. The Debtor has indicated in its Disclosure Statement that Ciena’s secured claim will be satisfied in full over 60 months with the allowed amount of the secured claim amortized over 360 months with interest at 30 day LIBOR plus 4.5% per annum at the effective rate of 4.8%. The Debtor should clarify the provision in its Disclosure Statement that the terms of the Note will continue to control the effective interest rate applied to the restructured payments and that the interest rate remains adjustable thereunder.

3. The Debtor should include language to clarify that the terms contained in the Deed of Trust that gives Ciena Capital the right to require a monthly escrow for annual insurance premiums and real estate taxes remain enforceable and the Ciena will continue to require the monthly escrow pursuant to section 7.8 of the Deed of Trust.

4. The Debtor should include language that the Debtor will be required to continue to provide to Ciena Capital, monthly P&L statements, Occupancy Statements and year end financial statements and tax returns.

5. The Debtor should include language to clarify that confirmation of the Debtor’s Plan will have no effect on any and all guarantees and that no guarantor is receiving a release, or modification of his obligation under any guaranty of the Note.

6. The Debtor has attached to the Disclosure Statement, as Exhibit 3, a projected cash

flow from operations for the first 5 years following confirmation. The Exhibit provides only a summary of monthly operating expenses while breaking down the amounts to be paid to the various classes of creditors. A breakdown of projected monthly expenses is needed in order to determine if the appropriate amounts have been budgeted for annual insurance and property tax payments. Such information might be obtained from a current Income and Expense report to be provided in Exhibit 2 to the Disclosure Statement that has yet to be submitted by the Debtor.

7. Subject to the above objections, Ciena Capital does not object to the approval of the Debtor's Disclosure Statement as containing adequate information to allow the creditors to make an informed decision about the Debtor's Chapter 11 Plan.

WHEREFORE, PREMISES CONSIDERED, Ciena Capital respectfully request that the Debtor be required to make revisions to its Disclosure Statement consistent with the limited objections raised above, and for such other and further relief to which it may be entitled.

Respectfully Submitted,

QUILLING, SELANDER, LOWNDS, WINSLETT,
& MOSER, P.C.
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By: /s/ John Paul Stanford
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ATTORNEYS FOR CIENA CAPITAL, LLC

CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of May 2012, a true and correct copy of the foregoing document was served via electronic transmission on the persons and entities listed below.

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/s/ John Paul Stanford

John Paul Stanford